

**EKURHULENI METROPOLITAN MUNICIPALITY
EXTRA ORDINARY COUNCIL MEETING**

2017.03.16

ITEM A-F (18-2017)

**BRAKPAN BUS COMPANY: DRAFT REVIEWED INTEGRATED DEVELOPMENT PLAN
AND DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF):
2017/2018 TO 2019/2020**

PURPOSE

To submit Brakpan Bus Company's Draft Reviewed Integrated Development Plan and the Draft Medium-term Revenue and Expenditure Framework for the 2017/2018 to 2019/20 financial period.

EXECUTIVE SUMMARY

In terms of the legislative process, the IDP and budget must be tabled to Council by no later than 31st March 2017 for endorsement so that the public participation processes can be commenced with during April 2017.

It is important to provide for adequate consultation with all councillors (both executive and legislature) in the budget compilation process prior to the formal tabling of the draft budget in March 2017.

The following attachments are provided:

Annexure A Draft SDBIP

Annexure B Draft Budget

DISCUSSION

Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

- 1) *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*
- 2) *In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*
- 3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

Section 24 of the MFMA dealing with the approval of annual budgets and, inter alia, reads as follows:

- 1) *The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.*

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2) An annual budget-

- a) must be approved before the start of the budget year;*
- b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
- c) must be approved together with the adoption of resolutions as may be necessary-*
 - i. imposing any municipal tax for the budget year;*
 - ii. setting any municipal tariffs for the budget year;*
 - iii. approving measurable performance objectives for revenue from each source and for each vote in the budget;*
 - iv. approving any changes to the municipality's integrated development plan; and*
 - v. approving any changes to the municipality's budget related policies.*

3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

PROCESS FOLLOWED

Background

The key deadlines for the compilation of the IDP and Medium Term Revenue and Expenditure Framework (MTREF, or Budget) was submitted to Council for approval during August 2016 as required by section 21(b) of the MFMA. In terms of the approved key deadlines, the Draft IDP and Budget must be tabled to Council at the end of March 2017.

Public Participation is scheduled for April 2017 with final adoption of the IDP and Budget during May 2017. This means that this draft planning proposals which will be contained in the reviewed IDP and budget is not being put forward for either tabling or final approval, but is merely noted as a first draft that will be used as basis for the oversight committee engagements.

IDP engaged meetings with each department during October/November 2016. This consisted of one-on-one engagement with Departments to discuss the SDBIP and finalize indicators and targets. The process also involves ensuring that Departmental outputs are aligned with national outcomes and the Growth Development Strategy

The departments received budget compilation guidelines and templates to be submitted in support of their budget requests during October 2016. Departments duly complied and submitted their Operating and Capital Budget requests to the Finance department for consolidation during October 2016. Consolidation of the departmental input received and analysis of the requests took place during October 2016.

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IBALCO Meetings

The IDP, Budget, Assets and Liabilities Committee (IBALCO) has been set up as a subcommittee of the City Manager's Strategic Management Team (SMT) process. This committee is tasked with the technical evaluation of departmental budget requests. Meetings took place on a regular basis since the initial budget process started to consider all the matters affecting the compilation of the new budget.

IBALCO meetings took place prior to all the Budget Steering Committee meetings in order to review documentation before submission to the Budget Steering Committee.

Budget Steering Committee

The Budget Steering Committee has been set up by the Executive Mayor in terms of section 4 of the Municipal Budget and Reporting Regulations.

The Budget Steering Committee is chaired by the MMC Finance, and all the members of Mayoral Committee are invited to the meetings. The Executive Mayor is an ex officio member of the Budget Steering Committee and attended several of these meetings.

The results of the abovementioned process are presented in this item for further discussion at Oversight committees.

Operating Budget

The total original Company Net Operating Surplus for 2016/17 was R4 323 000 and the reallocation remains unchanged. For the draft multi-year budget of 2017/18, net operating surplus of R1 641 055, R791 724 and R 111 086 for the 2018/19 and 2019/20 financial years respectively will be realised.

Operating Income

The total annual average income will be realized in the following line items.

- The annual fare increase of 8% will be factored on the special trips and coupons.
- 4% growth card passengers and coupon sales is envisaged, this increase will be realized because of the new eight (8) buses that will be purchased during the third quarter of 2016/17 financial year,
- Growth of special hire trips by 10%,
- 3% increase of Gauteng Department of Roads and Transport (DoRT) subsidy,
- BBC will still request the EMM Grant of R5 Million to cover the shortfall of the subsidy, and
- A new stream of revenue will be from branding of buses, which was R3 Million in 2016/17 after adjustment, and it is budgeted at R9 million for 2017/18.

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Operating Expenditure

Four (4) main cost drivers of this, is the repair of buses, depreciation of new buses, and fuel increase due to the operating of the suspended trips.

- Depreciation will increase with R 680 004, due to the second trench of buses that will be purchased.
- Repairs budgeted for at R4 million, because buses are repaired by original manufacturer
- Diesel will increase by R1 458 375 million, given the project of purchasing new buses, even the suspended routes due to shortage of buses will be operated and extra specials trips will be operated too.

Salaries and Board of Directors remuneration

- Senior Managers increase will be 6%.
- Board remuneration will increase by 6%.
- All other staff members whose salaries are discussed at bargaining council level is budgeted at 7%.

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OPERATING BUDGET											
Department	DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 ADJ BUDGET	F00 R'000 YEAR TO DATE	F00 R'000 PROJECTED	F01 R'000 2017/18	% B to B	% P to B	% Of Total	F02 R'000 2018/19	F03 R'000 2019/20
		R	R	R	R	R				R	R
	BBC										
	INCOME										
	EXCHANGE REVENUE										
	Interest, Dividends and Rent on Land	(20)	(20)	(363)	(400)	(50)	150.00%	-87.50%	0.11%	(53)	(56)
	Sales of Goods and Rendering of Services	(39,894)	(33,893)	(12,305)	(33,752)	(42,502)	0	0	0	(44,035)	(46,137)
	SUB TOTAL: EXCHANGE REVENUE	(39,914)	(33,913)	(12,668)	(34,152)	(42,552)	25.47%	24.60%	89.49%	(44,088)	(46,193)
	Contra Accounts	(5,000)	(5,000)	(2,500)	(5,000)	(5,000)	-	-	0	(5,000)	(5,000)
	- Cost of Free Basic Services	(5,000)	(5,000)	(2,500)	(5,000)	(5,000)	-	-	0	(5,000)	(5,000)
	TOTAL INCOME	(44,914)	(38,913)	(15,168)	(39,152)	(47,552)	22.20%	21.46%	100.00%	(49,088)	(51,193)
	EXPENDITURE										
	Employee Related Costs	16,902	16,902	7,882	16,902	18,205	7.71%	7.71%	39.65%	19,298	20,456
	Senior Management	3,387	4,748	2,280	4,748	5,453	14.85%	14.85%	11.88%	5,780	6,127
	- SM - Salaries Allowances & Service Benefits	3,387	4,748	2,280	4,748	5,453	14.85%	14.85%	11.88%	5,780	6,127
	Municipal Staff	13,516	12,154	5,602	12,154	12,752	4.92%	4.92%	27.77%	13,518	14,329
	- MS - Salaries Allowances & Service Benefits	13,516	12,154	5,602	12,154	12,752	4.92%	4.92%	27.77%	13,518	14,329
	Remuneration of Councilors	3,053	3,053	1,177	3,053	3,336	9.29%	9.29%	7.27%	3,336	3,536
	- ROC - Allowances & Service Related Benefits	3,053	3,053	1,177	3,053	3,336	9.29%	9.29%	7.27%	3,336	3,536
	Operational Cost	16,107	16,316	6,989	16,316	21,975	34.69%	34.69%	47.86%	23,767	24,687
	Interest Dividends and Rent on Land	1,200	-				0.00%	0.00%	0.00%		
	Depreciation and Amortisation	3,329	1,935	882	1,935	2,401	24.06%	24.06%	5.23%	2,401	2,401
	TOTAL EXPENDITURE	40,591	38,205	16,930	38,205	45,917	20.18%	20.18%	100.00%	48,802	51,080
	DEF	(4,323)	(708)	1,762	(947)	(1,635)	130.95%	72.74%		(286)	(113)
	DEFICIT / (SURPLUS) AFTER GAINS AND LO	(4,323)	(708)	1,762	(947)	(1,635)				(286)	(113)

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Capital Budget

The Company has the following projects in its Draft Capital budget for the multi-year period of 2017/18 to 2019/20 which is detailed below.

Department	Project name	Capitalisation investment framework Category	Source of finance	Original Budget 2016/17	Adjusted Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20
BBC	IT Equipment	NEW	In house	40,000	40,000	50,000	50,000	50,000
BBC	Furniture & fittings and other assets	NEW	In house	40,000	40,000	50,000	50,000	50,000
BBC	Motor vehicle	NEW	In house	320,000	320,000	250,000	250,000	250,000
BBC	Bus	NEW	In house	3,000,000	4 700 000	-	-	-
BBC	Bus	New	Conditional Grant		5 300 000			
BBC	Bus	NEW	Loan	15,000,000		-	15,000,000	-
Total				18,400,000	10 400 000	350,000	15,350,000	350,000

IDP / SDBIP FOR THE 2017/2018 FINANCIAL YEAR

The draft SDBIP is attached as **ANNEXURE A Reasons for the changes factored are:**

- To emphasise clean and effective administration
- To strengthen the communication and relations with the Shareholder
- To improve operating efficiency of the buses
- To improve sustainability of the buses
- To improved delivery of bus services within EMM

KEY PRIORITIES AND FLAGSHIP PROJECTS

In order to improve on the competitiveness of the company, and improve on income generated, the company will be embarking on the following priority projects:

- The number of commuters transported;
- Improve on customer satisfaction levels as areas requiring improvement were identified by Phase 1 and 2 of customer survey;
- Improve on governance and risk management systems and controls, in order to optimise effectiveness and efficiencies;
- Vigorous marketing of Brakpan Bus Company services, and maximise the use of buses on special hire trips;
- Intensify the current use pre paying system that has assisted in improving the collection of revenue and has minimised the time and money spent on disciplinary matters.

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ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

- Strategic key positions were identified, and relevant personnel have been employed, and other positions are still to be addressed.

FINANCIAL IMPLICATIONS

- The incentivising of the good performance of the drivers, for example, no incidents or accidents reported will be looked into, which will also assist in improving the staff morale;
- Mechanisms of reducing pilferage was introduced by introducing a perpetual cash card, this has significantly reduced the amount of cash carried by bus drivers on daily basis, and we have further increased the number of selling points by using a mobile ticket selling office.

LEGAL IMPLICATIONS

The tabling of the Budget in March 2017 will be in the format as required by the MFMA for the tabling of budgets for public consultation.

COMMUNICATION IMPLICATION

None – for internal consultation process

OTHER DEPARTMENTS/ BODIES CONSULTED

Board of Directors, Department of Finance and of Transport

RECOMMENDATION

That the report regarding the Draft planning proposals for the Reviewed Integrated Development Plan and the Draft Medium-term Revenue and Expenditure Framework for the 2017/18 to 2019/20 financial period of Brakpan Bus Company **BE NOTED**.